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SUBJECT: CZECH ELECTIONS: ODS, THE WOBBLY FRONT RUNNER

REF: A. PRAGUE 284

1B. PRAGUE 427

1C. PRAGUE 482

1D. PRAGUE 516

1E. PRAGUE 535

Classified By: Acting DCM Michael Dodman for reasons 1.4 b+d

11. (C) SUMMARY: Polls have consistently shown that the center-right, pro-U.S., pro-business Civic Democrats (ODS) are likely to receive more votes in the upcoming June 2-3 general election, and consequently more seats in the next parliament, than any other party. However, ODS leadership of the next government is still far from certain as the party might not be able to form a majority coalition government. Moreover, ODS is not a united monolithic force. There are several factions within the party and each of the possible election outcomes will have different consequences for the factions. Anything less than straightforward victory could even threaten to split the party. There are two potential outcomes that would lead to an ODS role in the next government, a center-right coalition with the Christian Democrats (KDU-CSL) and the Greens (SZ), or a grand coalition with the party's main rival, the left-of-center Social Democrats (CSSD). Either of these would lead to foreign policies favorable to the United States. However, a pro-U.S. stance doesn't necessarily mean an effective and coherent government capable of implementing its agenda. END SUMMARY.

12. (C) Opinion polls over the last six months have consistently shown the Civic Democrats (ODS) would receive between 26 and 31% (approximately 65 to 75 seats in the 200 seat chamber), slightly ahead of their main rival, the ruling Social Democrats (CSSD). But the Christian Democrats (KDU-CSL), the party most closely allied with ODS, are only expected to win 15-20 seats in the election, leaving the two parties short of the 101 needed to form a majority government. The best option, in that case, would be invite a third party, the Greens, to join a center-right coalition. Another possibility, though one the ODS claims not to favor, would be a grand coalition with the Social Democrats (CSSD), which would give the partnership a 3/5 constitutional majority and the power to change the election system, but which could be unstable and lead to early elections.

ODS WINS BIG = CENTER RIGHT COALITION (ODS KDU-CSL GREENS)

13. (C) Jan Herzmann, director of the polling firm FACTUM, believes that a center-right coalition consisting of ODS, KDU-CSL, and the Greens is the most likely scenario. Herzmann told the Embassy May 18 that if ODS does relatively well, with 32-35%, this tripartite coalition could have as many as 110 seats, which would give several individual members of the poorly disciplined Greens the freedom to dissent without threatening the 101-seat majority. Herzmann points out that the many activists within the Greens, a party which has never been in the Chamber of Deputies (parliament's

lower house), would want the right to vote their conscience, rather than along the lines dictated by the coalition. Herzmann therefore feels that an ODS/KDU-CSL/Greens coalition with a small majority of 101-104 seats would be unstable. Sociologist Ivan Gabal also told poloff April 13 that many individuals within ODS would have trouble accepting the Greens and could break party ranks on bills submitted by the Greens. Marek Benda, ODS parliamentarian and former student leader, believes that the Greens, who he referred to as &idiots, activists and anarchists,⁸ are an &unacceptable partner.⁸ Both Gabal and Herzmann agree that this three-party constellation would only succeed if the majority is comfortably beyond the 101-seat minimum.

¶4. (C) Most analysts feel that if ODS manages to put together this coalition, current party chair Miroslav Topolanek will stay on and become Prime Minister. Under this coalition, pro-NATO ODS and KDU-CSL would soften the pro-EDSP sentiments of the Greens, and the pro-Europe Greens would moderate the Euroskeptic views of the ODS leadership. In the past, the second party in the coalition has been able to nominate the foreign minister. However, even this scenario is unlikely to lead to current Foreign Minister Cyril Svoboda (KDU-CSL) staying in office. KDU-CSL party chair Miroslav Kalousek strongly dislikes Svoboda and wants Svoboda, who is the party's principal Deputy Chair and his political rival, out of the way. Pollster Jan Herzmann had a long conversation with Svoboda in May 2006 and told poloff that Svoboda &seemed resigned to leaving and spoke about diplomatic assignments overseas.⁸

ODS TIES = GRAND COALITION (ODS CSSD OR CSSD ODS)

¶5. (C) The grand coalition is possible under two scenarios.

PRAGUE 00000549 002 OF 004

First, if ODS, and its potential partners KDU-CSL and the Greens (assuming both of these smaller parties actually make it into the new parliament), are unable or unwilling to form the coalition described above. A second possibility would be if the two left-of center parties, the Social Democrats (CSSD) and the Communists (KSCM), have at least 101 seats, but can't agree on the terms under which the Communists would support a minority CSSD government. If the Communists demand too much in exchange for their support, Prime Minister Paroubek (CSSD) could turn to the ODS and negotiate terms for a coalition with them. This grand coalition scenario is one that many politicians and analysts think is the most likely, though very few have positive expectations of it. Most observers feel this result would mean that ODS Chair Topolanek would be sidelined. Political scientist Vladimira Dvorakova told poloff that the grand coalition was &a very likely option, though none of the parties will say so before the election.⁸ Petr Pithart, former Prime Minister and current Vice President of the Senate, believes that a grand coalition would be the most likely outcome and that Prague Mayor Pavel Bem (ODS) would be brought in to replace Topolanek as Prime Minister.

¶6. (C) Michal Sedlacek, ODS party staffer, believes that Topolanek is unambitious and would willingly leave if the election results were not good enough. Sedlacek feels that Topolanek has no interest in leading a grand coalition and would likely be glad to step down, probably in favor of Bem, if things were headed in that direction. On January 30, Miloslav Ransdorf, Communist member of the European parliament, told post that he thought the grand coalition was the most likely outcome and predicted that if ODS is not in a position to form the next government, Topolanek would be fired and Paroubek would continue as Prime Minister. Petr Drulak, Director of the Institute for International Relations says a grand coalition is &quite likely,⁸ though he adds it is a &recipe for instability and could lead to early elections.⁸

On the other hand, some analysts, including Jiri Pehe, argue that a coalition bridging the political spectrum might be the

only mechanism capable of approving painful reforms in health care and social security. The grand coalition could also have unintended consequences in the 2010 election. Former Foreign Minister Jan Kavan told poloff May 22 that a grand coalition would leave the Communist party as the only real opposition, which would be, in Kavan's words, "the best thing that ever happened for KSCM," permitting the party to portray itself in the next election as the only true left-of-center party.

17. (C) There are also many who offer reasons for why the grand coalition option won't be pursued. Political scientist Bohumil Dolezal feels that PM Paroubek would not want to join a grand coalition if it means surrendering his leading position in the country. Former Foreign Minister Jan Kavan says that Paroubek considers ODS chief Topolanek "a village idiot" and that Paroubek's loathing of Topolanek makes it hard for Paroubek to follow his natural inclination to form a grand coalition (Topolanek's personal attacks on Paroubek in this weekend's debates, and the Prime Minister's subsequent decision to file a lawsuit against Topolanek, certainly reinforce this). According to Kavan, Paroubek could never serve under Topolanek, but could serve as a cabinet minister under other ODS leaders. Similarly, pollster Jan Herzmann told us that several high-ranking people within ODS would oppose this scenario, since it would mean that they would have to offer CSSD cabinet posts that they very much want for themselves. Former Prime Minister Miroslav Zeman has repeatedly and publicly stated his opposition to a grand coalition. In his view, this would likely mean the departure of both Topolanek and Paroubek as heads of their respective parties. In short, both CSSD and ODS have strong reasons to consider the grand coalition the option of last resort.

ODS LOSES = RESTRUCTURING OF PARTY

18. (C) If ODS comes in second to CSSD, or wins a narrow victory over CSSD but fails to stop CSSD and the Communists from winning more than 100 seats, then most observers would expect radical changes within ODS. Pollster Jan Herzmann says that Topolanek and possibly others around him will be quickly replaced by regional leaders, such as Evsen Tosenovsky, Governor of the Moravian-Silesian District. Jan Vidim (ODS), head of parliament's Defense and Security Committee, thinks that if the party loses &it will disintegrate8 and be rebuilt with regionally-based leaders. Pollster Jan Hartl even told poloff May 22 that he has personally spoken with some ODS regional leaders who hope for the party's defeat in the upcoming elections, since they see this as the only way to unseat the current leadership, which they perceive as ineffective and as blocking their own paths to power.

PRAGUE 00000549 003 OF 004

SNATCHING DEFEAT FROM THE JAWS OF VICTORY

19. (C) Just a year ago, from mid-March to late-April 2005, after CSSD Prime Minister Stanislav Gross was forced to resign over the questionable source of funds used to buy his private residence, ODS enjoyed a 15-20 point lead in the polls. In the absence of real competition, many suggest ODS was coasting because it wasn't forced to put together a well-reasoned, consistent program. By mid-May, newly appointed Prime Minister Jiri Paroubek (CSSD) had cut the lead to only a few points. ODS has maintained a 1-5 point lead throughout the run-up to the elections. However, several analysts point to weaknesses within the party and mistakes made by party leaders that made the race closer than it would have been otherwise. Political scientist and author Jiri Pehe calls the ODS leadership &a bunch of sourpusses8 who practice a policy of zero tolerance with the CSSD-led coalition at a time when the country is doing relatively well. Pehe also argues that the ODS program is anchored upon a single idea, the 15% flat tax, and that radical reform is hard to sell in good times. Political scientist Vladimira Dvorakova feels that the ODS election program, dubbed the Blue Chance, &makes people nervous8 and isn't well thought

out. She also argues that some of the party leaders, including Topolanek, shadow finance minister Vlastimil Tlustý, and shadow interior minister Ivan Langer, are perceived as arrogant and unable to explain the party's ideas. Opinion polls support this perception. Topolanek, according to a May 18 STEM poll, is the 8th most popular politician in the country and is favorably viewed by 40% of the people. Langer is number 13 with 36%, one point ahead of Communist Party chief Vojtech Filip. Tlustý doesn't even make the list. By comparison, PM Paroubek is 4th, behind three CSSD ministers, with 53% and Prague Mayor Pavel Bem (ODS) is 5th at 50%.

¶10. (C) Many ODS critics blame Topolanek for not being a stronger leader who could take the party out from the shadow of its founder, President Vaclav Klaus. Pollster Jan Herzmann compares the situation within ODS to that within the British Conservative Party after the departure of Prime Minister Thatcher, a period during which the party couldn't find a suitable successor. Herzmann, as do many others, believes that Topolanek is too weak to be Prime Minister. Herzmann argues that there are two visions for Czech society. One relies on the state-funded guarantees and promises that were a part of life under communism and could continue to be a part of life under a European welfare state. The other vision involves reforms that emphasize the role of the private sector. Herzmann says ODS made a mistake this spring when, after slipping a few points in the polls, it began to offer up unsustainable promises of subsidies and direct payments and tried to compete with CSSD on what is essentially its home turf. Herzmann says a stronger leader would have stuck to the principles that separate ODS from CSSD.

ODS FACTIONS: 1 1 1 1 = TOO MANY

¶11. (C) President Klaus has been a dominant figure within the party and still influences both policy strategy and operational tactics. But the Klaus camp is only one faction within the party and what is good for this faction is not necessarily good for the party as a whole. Sociologist Ivan Gabal sees four different groups within ODS:

-- The Klaus camp, with support from shadow foreign minister and current MEP Jan Zahradil and current Prague Mayor Pavel Bem. Zahradil shares Klaus's skepticism of the EU, though Zahradil may have softened somewhat on this. Gabal says he has heard from friends in Brussels that Zahradil has &gone native⁸ (note: Gabal's wife is MEP Jana Hybaskova). Klaus has advised the party to keep the option of a grand coalition on the table. But he may have his own reasons for doing so. The Czech president is elected by the Chamber of Deputies and the Senate. Klaus may feel that he could negotiate his re-election as part of the talks establishing an ODS-led grand coalition. Klaus also has reservations about the direction ODS, which he sees as his party, might take in a coalition with the feverishly pro-European Greens.

-- Another group consists of regional governors and mayors who have almost no power to raise funds within their districts and are consequently disproportionately dependent on EU funds. Naturally, they look on the EU much more favorably than Klaus and his followers do. In addition, these ODS governors have economic interests close to home that sometimes force them to support policies that differ from those promoted by the party at the national level. For example, Regional Governor Evsen Tosenovsky (ODS) has been struggling to lure a billion dollar Hyundai auto plant to his district while the party headquarters were criticizing the

PRAGUE 00000549 004 OF 004

use of investment incentives and promising to terminate them. Similarly, many Czech spa towns have ODS mayors who benefit when patients come for lengthy restorative stays paid for by the state-run health insurer. But ODS policy is to put an end to these free treatments which can last for weeks at a time, year after year.

-- The third camp is made up of prominent Prague-based politicians who have been near the top of the party for several years. This includes people such as Tlustý, Langer, Vidim and others. If ODS does badly, this group is likely to be replaced by regional leaders.

-- Finally, according to Gabal, there is Topolanek, who is more or less on his own and very vulnerable unless he delivers a clear, unambiguous victory.

PRAGUE KEY TO ODS VICTORY

¶12. (SBU) ODS has always been strongest in the Prague electoral district, where it could conceivably win as much as 40%. Although it is still expected to win that district this year, its numbers could be cut significantly by two parties that appeal to the same electorate. ODS has traditionally been strongest among young, urban, well-educated, and relatively affluent voters. But this year the emergence of the Greens as a viable party, along with the merger of the Independents/European Democrats (SNK-ED), led by former foreign minister Josef Zíleneč and former Prague Mayor Jan Kasl, means that group of voters will have three parties to choose from. In addition, ODS voters are the most likely to own cars and summer homes. If the sun shines on Friday June 2 and Saturday June 3, many ODS voters could decide to forego voting for their countryside cottages. In a race expected to be very tight, even a small number of votes could affect the outcome.

¶13. COMMENT: (C) Topolanek is arguably the most pro-American leader in the country. He is a huge fan of the Conservative Party in Britain and the Republican Party in America. In a May 13 interview, he stated, &I certainly have a warmer relation toward Great Britain and the United States than that given in the framework of the Czech Republic's priorities at the current moment.⁸ So a strong ODS showing could make him Prime Minister in a right-of-center coalition that would be good for transatlantic ties. But that does not mean that this is the only election outcome that would be good the the U.S. We have two goals coming out of this election: a coalition government supportive of U.S. objectives, and a strong, effective government. On the former, there are few scenarios that would be problematic for us. All parties, except the Communists, support strong transatlantic ties (although the Greens' will need to prove this if and when they reach the national stage). U.S.-Czech relations have done reasonably well under eight years of CSSD leadership. While a CSSD minority government with Communist support is the least desireable outcome because of the uncertainties it introduces and the likely negative impact on economic policy, this scenario could still result in a rather robust and supportive Czech foreign policy, if (and this is a big if) the right personnel decisions are made.

¶14. (C) It is less likely that the next government will prove to be strong and effective. A weak ODS-led coalition, particularly one that relies on the untested Greens, could prove very unreliable; to maintain discipline, the party could need to appeal to the nationalist/populist elements that are present in nearly all Czech political parties. A grand coalition, whether led by ODS or CSSD, has the potential to be internally divisive, but in the end this depends on the leaders involved and the role played by President Klaus. Topolanek would surely not provide the leadership necessary to keep such a coalition strong. Which is why most observers focus on Prague Mayor Bem stepping up in this scenario. Bem studied and lived for many years in the United States, but he is known as a pragmatic deal-making politician, rather than one who is ideologically committed to any particular policies. In short, a natural partner for PM Paroubek, with whom he served for many years in Prague City Hall. A stable grand coalition under Paroubek and Bem would also, on the whole, likely prove positive for U.S. interests.

CABANISS